

Comments on Western Area Power Administration's "Defining the Future Initiative"

August 3, 2012

The Colorado Association of Municipal Utilities (CAMU) represents the 29 cities and towns in Colorado that own their own electric distribution systems. Taken together, municipal utilities serve 17% of the population of the State of Colorado and support a wide variety of Colorado industries, military installations, small businesses and families.

Colorado's municipal utilities depend upon on the reliable and affordable electricity provided through the Western Area Power Administration (WAPA), with the average CAMU community counting on WAPA for 23% of its annual power. This dependency is greater among many small, rural Colorado communities where WAPA allocations account for well over 40% of the community's power. For example, the small town of Haxtun, Colorado (which has a modest population of 937 people) counts on WAPA for approximately 50% of the town's electric supply.

The power rates paid to WAPA by Colorado municipal utilities like Haxtun help to pay for WAPA's infrastructure, programs and employees. In fact, WAPA derives nearly a quarter of its annual revenues from municipally-owned utilities. The unique mutually beneficial relationships between WAPA and its customers have resulted in a safe, reliable, and environmentally responsible electric grid.

Because of our longstanding history of working effectively with WAPA, CAMU has been very concerned by both the tone and content of Department of Energy (DOE) Secretary Chu's March 16, 2012 memorandum to the Power Marketing Agencies (PMAs) and the subsequent DOE "listening sessions" on how to implement the goals outlined in the "Chu Memo."

The DOE states that the PMAs need to take a lead role in "transforming our Nation's electric system" in order to develop a "more resilient Twenty-First Century grid." Unfortunately, DOE states this goal without defining what it means by the terms: "modern;" "more resilient;" and "Twenty-First Century."

The ambiguity of the goal is further exacerbated by the fact that DOE never clearly explains precisely what about the current system needs to be transformed and why. In other words, we jump right to a goal without ever explicitly discussing why we need the goal in the first place.

One of the chief questions driving this whole exercise is the question of "How can WAPA facilitate the integration of large-scale renewable energy developments in the Western United States?" CAMU cautions the DOE against automatically presuming that WAPA's system is an appropriate vehicle for large-scale renewable integration and utilizing these sessions for a discussion forum for "how can WAPA get it done?"

To be clear, CAMU is very supportive of additional renewable energy development. Many of our communities have embraced aggressive renewable energy development within their own towns and several others have participated as partners in large renewable projects.

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Yet while we are supportive of developing additional renewable energy for our communities, we urge DOE to take a step-back and first lay out in a clear and concise manner what impediments stand in the way additional renewable development in the West for all stakeholders, whether or not the impediments identified directly impact the efforts of PMAs customers in their quest to develop additional renewable energy, and then explore whether or not it is even appropriate for the PMAs to address these impediments. It is our view that DOE clearly has gotten the proverbial cart ahead of the horse. We cannot begin to have a discussion on what needs to be fixed until we can all agree on what is broken.

Another key question that was broached by both the March 16 Memo and the listening session is the question as to what WAPA can do to "to create rate structures that incentivize" energy efficiency and demand response programs, integration of variable resources, and electric vehicle deployment.

In addressing this question, CAMU would like to remind the DOE that "incentives rates" are not cost based. CAMU urges the DOE and WAPA to not abandon the cost-based rate structure that was established in the Reclamation Act. WAPA's cost-based rates are a key component of keeping power affordable in many of our communities.

What's more, energy efficiency and demand response programs, integration of variable resources, and electric vehicle deployment are all items that are currently being successfully addressed at the distribution level. CAMU again urges DOE to not use WAPA to fix what is not broken.

The final question that is broached by the March 16 Memo and listening sessions is how the PMAs and WAPA can improve cooperation and "strengthen relations with other owners and operators of the grid?" CAMU takes a certain degree of umbrage with the posing of this question. The relationships between our members and WAPA could not be stronger, and they have been built upon decades of mutual trust and understanding.

Candidly, it seems this question is posed more with an eye toward non-customer stakeholders and it is our fear that these parties are driving this whole process. Despite DOE's stated assurances that they are holding these listening sessions in an attempt to help WAPA's customers, it must be noted that the customers never asked for help in the first place.

CAMU is suspicious that the PMAs and WAPA are being eyed as a tool to help large wind developers build more projects and for investor-owned utilities to balance their large intermittent loads. While we do not oppose the idea of additional renewable development, nor do we draw any conclusions on how intermittency should be dealt with, we do oppose the concept of these activities resulting in increased costs to WAPA that are in turn passed onto WAPA's customers. DOE should find it intolerable to direct benefits to private, for-profit entities at the expense of public, not-for-profit rate payers.

CAMU would like to thank the DOE and WAPA for this opportunity to share our comments and concerns. We look forward to many more years of successful relationships with both DOE and WAPA as we endeavor to continue our mission of delivering safe, reliable, affordable and environmentally responsible power to our communities.